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**Written Statement of Testimony of
The Harkin Group, LLC, Consultants
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**H.R. 3995
The Housing Affordability for America Act of 2002**

**Hearing before the
U.S. House of Representatives
Committee on Financial Services
Subcommittee on Housing and Community Opportunity**

**Room 2128 Rayburn House Office Building
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Good afternoon Chairwoman Roukema, Ranking Member Frank, and other members of the Subcommittee on Housing and Community Opportunity. My name is Harry Byrd, principal of The Harkin Group, LLC. With me today is John Kinsey, also a principal of The Harkin Group. On behalf of the company, I thank you for the privilege of addressing this subcommittee today and sharing with you some of our experiences and what we have learned as a result of working with the HOPE VI Program over the last nine years.

ABOUT THE HARKIN GROUP

The Harkin Group has been involved with the HOPE VI Program since it was first introduced in 1993 as the Urban Revitalization Demonstration Program, or URD. Our initial involvement was as employees of a public housing agency that sought and was awarded a grant in the first round of HOPE VI funding. Harkin principal, John Kinsey, served as the agency's HOPE VI Director. Currently, we are associated with HOPE VI as private consultants providing program management and other services to public housing agencies that are currently funded or that are seeking funding. More details of our experience, along with resumes of the principals are included as an attachment to this testimony.

ABOUT HOPE VI

Optimally, obsolete public housing sites that are redeveloped under the HOPE VI Program are transformed from communities of isolation and hopelessness into viable self-sustaining neighborhoods of opportunity and vitality. Elements of this transformation include:

- (1) Changing the physical design and shape of public housing;
- (2) Establishing positive incentives for self-sufficiency and comprehensive services to empower residents;
- (3) Establishing and enforcing strict occupancy and eviction rules, which directly impacts the quality of life for residents;
- (4) Lessening concentrations of poverty, promoting mixed-income communities; and
- (5) Forging partnerships with other agencies, local governments, non-profits and private businesses.

The true intent of the HOPE VI Program can be accomplished. However, we have recognized that there are strategic areas of this program that should be improved upon to afford housing agencies the opportunity to better accomplish the overall goals established by the program.

RESIDENT DISPLACEMENT

Of major concern to us, as well as to proponents and opponents of HOPE VI alike, is the number of original residents of the public housing site who return to the revitalized community. There are many reasons this number currently may be lower than desirable.

Loss of Units

The strategy for developing mixed communities under the HOPE VI Program is to ensure the correct mix of subsidized, market rate and affordable housing that is built back on the site. The design of these communities also seeks to decrease the concentration of poverty in a specific geographic region by decreasing density on the public housing site. Therefore we typically end up with a decrease in the public housing inventory within the respective local community. Fewer units results in fewer residents that can be accommodated. Based on our experience, housing agencies are replacing from 35%-50% of HUD-subsidized housing units lost through HOPE VI demolition/revitalization. To combat this impact, it is necessary to strengthen the requirement for the developer to ensure increased financial commitment on the part of the public and private sectors. This action would provide necessary resources to increase the boundaries of the revitalization area beyond the mere footprint of the public housing site itself, thus allowing an increase in the number of units developed. Currently, there is no requirement for one-to-one replacement of public housing units lost to HOPE VI redevelopment. While we realize that one-to-one replacement may be difficult, a greater commitment towards achieving this goal should be emphasized in the requirements of the program.

Redevelopment Timeframe

As a rule, public housing residents living in a development targeted for HOPE VI revitalization are relocated prior to commencement of demolition and construction. It has been our experience that the time frame between residents being relocated from the site and new housing units being developed that allows them an opportunity to return can be anywhere from 3 to 5 years. In some cases, the period is even longer. For instance, the Housing Authority of the City of Winston-Salem, NC received an award in 1998. Although elderly residents began returning to the site in December 2001 upon completion of the elderly housing facility; it will be October of 2003 before the first multi-family units are available for occupancy. Final build-out of the project is not anticipated until late 2005, seven years after grant award. Another example is the Arbor Glen (formerly Dalton Village) HOPE VI Program in Charlotte, NC, a 1996 award. The first families will begin returning to the portion of the community revitalized under HOPE VI this year. This time span alone can cause residents to become frustrated and disillusioned with the program and to choose not to return. Reducing the period between the time residents are relocated and the time they can return to the site can have a positive effect on the number of residents returning. One way to accomplish this is through comprehensive upfront planning that ensures the housing agency is ready to begin program implementation immediately upon grant award. The greater the degree to which all components are developed and in place, the greater the degree of speed and efficiency in which they can be implemented.

In some cases, applications have been put together in very short time frames. While the elements are present in the application that allow a score high enough to qualify for funding, the up-front planning and full involvement of public housing residents and a cross section of the greater community over a longer period of time sufficient to allow for total buy-in is not there. Projects that have gone through an intense participation process and have a cross-section of buy-in and support seem to have the best chances for timely implementation and continued resident support and interest in returning to the community. A good example of the type of participatory process

and upfront planning that has proven to be successful across the country has been developed by Urban Design Associates (UDA) of Pittsburgh. UDA believes that early and direct, meaningful participation of the neighborhood residents is an essential part of understanding what to design and how to develop the architecture. UDA sees design as the creative focus for bringing together citizens, economists, engineers, architects, developers, contractors and policy makers to build humanized visions for the future. As part of the HOPE VI design process at the outset of application preparation, UDA conducts charrettes to obtain input from residents, the general public, local community groups, as well as the public and private business sectors.

Resident Tracking and Monitoring

Along with involvement of residents at the outset, it is imperative that public housing agencies provide good tracking and monitoring of residents during redevelopment. PHA's must provide adequate follow-up and supportive services to keep them involved in the redevelopment process and working towards their eventual return. In instances where this is lacking, many original residents who were displaced from the site are lost.

Community and Supportive Services

Of foremost consideration in HOPE VI programming and implementation are the residents for whose benefit the program was conceived and designed. Community and supportive services must be in place early on that include activities designed to help residents make smooth transitions into their new living environment. These activities must focus on achieving self-sufficiency, upward mobility, economic independence with sustainable "living wage" jobs, educational achievement, and improved quality of life for the maximum number of public housing residents in the existing development and in the revitalized community. Success of this component is dependent upon the support and participation of social service and other non-profit agencies. It is incumbent upon housing agencies to develop comprehensive transitional housing programs that provide the necessary support, training and resources through case management in assisting families to be prepared to return and to move toward true self-sufficiency.

MIXED INCOME NEIGHBORHOODS

The intent of the HOPE VI Program is to build social and economically diverse communities of inclusion consisting of public, moderate or affordable, and market rate housing. Typically, HUD has found that a mix of one-third public housing, one-third tax credit or other affordable housing, and one-third market rate rental and/or homeowner-ship housing is a good balance. This mix should encompass housing for seniors, single-family homeownership and multi-family housing. However, each situation is unique and should be treated as such.

The design of these mixed-income communities should be comprehensive and integrated into the broader community to address the social and economic needs of residents and the physical revitalization needs of both the public housing site and the surrounding community. These programs are designed to be true elements of change and to address as many issues as possible related to blight and neighborhood distress. Further, design and programming for build-out of the site should include economic strategies that will provide for sustainability of these communities

going forward. If the mix that is typically recommended by HUD can be achieved, then the economics of the project will define the level of private sector participation required to ensure sustainability.

Another important element is the attraction of market-rate development and reinvestment back into the community. A comprehensive analysis of competitive market-rate housing (rental and homeownership) is key to understanding the appropriate mix, pricing, amenities, unit types, phasing and subsidy requirements to create a stable, mixed-income community. The HOPE VI effort must include the market rate sector and be seen as a public-private initiative in order to change long-standing perceptions about the quality of public housing and create the climate for private reinvestment.

LOCAL GOVERNMENT SUPPORT

Just as critical is the level of participation and commitment from local government. Although the program is funded through local housing agencies, local government buy-in and commitment of resources are essential to securing HOPE VI funding and to the long-term success of the program. The return on investment for these stakeholders is realized in the form of an increased tax base and the elimination of distressed and revenue-draining communities. Moreover, HOPE VI revitalization serves as a catalyst for economic and other redevelopment efforts in the city that may not have otherwise occurred. Development that has taken place under the First Ward HOPE VI Program in Charlotte has spearheaded both public and private development in the surrounding area.

LEVERAGING

In order for the goal of a truly mixed community to be realized, it is imperative that we optimize the various resources from all stakeholders and beneficiaries of the project. Housing agencies are therefore encouraged to provide substantial leveraging of other public and private sector resources to augment HOPE VI dollars. Communities that are developed under the HOPE VI Program are closely akin to private sector development programs. They require complicated financing structures that are multi-layered with negotiated agreements that should be in the best interest of the housing agency. If not properly negotiated, the financial agreements may compromise the integrity of the program. For example, when agreements are reached that do not infuse enough public dollars into the project to support required infrastructure, physical design may have to be modified, altering the originally planned vision for the community. Also, if private sector dollars do not come into the project to support the level of market rate development required to make the project financially feasible, this could result in fewer units being developed and fewer residents returning to the site. Even though HUD has specific requirements as relates to leveraging and commitment of resources from other sources, it has been our experience that the lion share of financial responsibility has been borne by the housing agency through the use of its HOPE VI funds.

PROGRAM MANAGEMENT

HOPE VI Programs are very complicated and are quite different from other capital improvement programs that many housing agencies have undertaken. Oftentimes they find it difficult to administer with the capacity of in-house staff and to negotiate the intricate details of the mixed finance proposals and development agreements required. Earlier program requirements called for housing agencies to have program management in place to enhance capacity and to protect the interest of the PHA as necessary. That requirement has been dropped. As a result, many housing agencies that lack capacity and the necessary expertise to undertake these programs have a tendency to proceed without clear focus and understanding of the program as well as poorly crafted and negotiated development agreements that result in increased time delays in project implementation. This impact will be felt to an even greater extent as more mid-size and smaller housing agencies are funded.

CONCLUSION

So, indeed, if we can implement HOPE VI programs consistent with the requirements and guidelines established by HUD, we will build better communities that include senior housing, homeownership and family housing—neighborhoods that have been integrated into the broader community and include a true mixture of affordable, market rate and subsidized housing. Residents will be provided with community and supportive services and case management so that issues identified as barriers to becoming self-sufficient will be eliminated.

Having worked on both the public side as HOPE VI Program administrators and on the private side as consultants to housing agencies on HOPE VI, we have been afforded the unique opportunity of viewing the program from different perspectives. In our assessment, we feel the HOPE VI Program was well-conceived and has provided many opportunities to public housing agencies and the residents they serve. We strongly feel this program should be continued, if not in its existing form, certainly in some modified form such that public housing agencies may continue to provide assistance to transform the lives of their residents, as well as transform the physical obsolescence of the design of the site and structure of the dwelling units.

This concludes my testimony. I will be happy to respond to questions at this time.